INSTITUTE of STATISTICS
Oxford

Bulletin Vol. 8 *September 1946* *No. 9*

RECONSTRUCTION AND WAGE POLICY

1. The Need for a Wage Policy

There are various reasons why wage policy at the present time has become one of the most pressing problems. They may be summarised under the following headings :

(1) The transition from war to peace involves a considerable change in the distribution of labour between industries. This change must partly take the form of a direct shift of labour from one industry to the other, partly it requires simply that demobilised soldiers entering employment should go into the industries scheduled for expansion and needing considerable addition to manpower, such as building, building materials and textiles. The direct shift may be eased by enabling the worker to meet the cost of transfer: allowances for training, and for transfer from one place to another. In addition, however, some incentive is needed to bring about not only the direct shift, but also the flow of demobilised manpower in the desired direction (because the demobilised men may be attached to some pre-war occupation by experience or on account of the location of their homes). The incentive may be of a non-monetary type : improved working conditions in the industries in question, prospect of continued employment over a long period. Apart from that, the monetary incentive is bound to play a large role. The shift therefore requires that earnings in the expanding industries should be not only as great, but a little greater than on the average of industry as a whole.[1] The alternative to this policy—apart from direction of labour which at present can be ruled out—is a policy of simply restricting the entry of labour into industries not scheduled for expansion, and reducing labour in industries scheduled for restriction, by means of raw material controls and direct limitation of output in these industries. The manpower which will find no room in these industries will then be forced to turn to the industries which are scheduled for expansion. This policy relies on the creation of temporary unemployment, and is therefore less economical, and slower than the policy of incentives. What is more important, however, it is very inefficient. The limitation of manpower by raw material controls cannot function in all industries; more manpower (including women) will, for example, go into retail trade than is desirable, or crowd into small shops and independent trades, go into highly paid domestic service and other lines. Even in manufacturing industries where certain key raw materials are essential, it is hardly

---

[1] See J. L. Nicholson, ' Earnings, Hours and Mobility of Labour ', Bulletin, Vol. 8, No. 5.

likely that the controls can now be effectively used in limiting manpower so as to make it available for the industries where it is most needed. This method can therefore be regarded as inadequate and uneconomical.

(2) In conditions of full employment certain ' critical ' industries are in continuous danger of losing their labour force. They are industries which are unattractive, involving specially arduous work, or disadvantageous working conditions. The two outstanding cases are coal-mining and agriculture. Their position remains the same in the reconstruction period as it was during the war, and they will remain a problem in a regime of long-term full employment. Only under conditions of large-scale unemployment, as in pre-war times, would this problem not arise, because then the workers cannot effectively express their preferences.

An indispensable long-term contribution to the problem of scarcity of labour in these industries is to use as many labour-saving devices as possible. Apart from this, incentives, non-monetary as well as monetary, are again necessary, in order to keep the required labour force.

(3) Under conditions of full employment, and even more so of ' over-full employment ' such as we are bound to have for a number of years to come, there exists a steady upward pressure on the general wage level. This tendency may arise partly as a consequence of price increases of essential goods and services, if the government fails to prevent them; partly it may be encouraged by upward adjustment of wages in specific industries required under (1) and (2); and finally, it arises from the fact that labour has a ' seller's market ' and trade unions are in a strong position.

The general wage pressure may be a danger if and in so far as it interferes with the aim of stability of prices, which is desirable for various reasons. An adequate wage policy will therefore have a dual task : it must encourage wage increases which are required under (1) and (2) in order to establish a proper wage structure, and at the same time it must prevent a general upward movement of wages which arises under (3), in so far as it surpasses certain limits and in so far as the general policy adopted is one of keeping the price level stable. The first task is relatively easy, because in the industries concerned the labour shortage produces a ' natural ' upward pressure on wages, and it is only necessary to give way to it. (Another way is to fix national minimum wages, as has been done in the brick industry). As for the second task, the government has the opportunity to exercise a curbing influence in the arbitration tribunals, but this may not be enough.

2. The Finance of Wage Increases

Wage increases may be financed in either of two ways : by an increase in prices, the increase in wage cost being put on the price of the goods concerned (with or without a ' marking up ' of profit margins), or with prices kept stable. In the latter case there must be either a squeezing of profit margins, or a compensation of the additional wage cost by subsidies, or an increase in productivity sufficient to offset the increased wage cost.

If a *general* wage increase is financed by price increases, a large part of its advantage to the workers in necessarily lost. With prices increased only by the *absolute* amount of the wage cost, it is true, the share of labour in the product would increase; this comes to the same as a squeezing of the real value of the profit margin. If squeezing of profit margins is at all possible, it is, however, preferable to carry it through with stable prices. The alternative case where prices are increased *in proportion* to the rise in wage cost is the one to which entrepreneurs would tend to conform under conditions of a free price system. In this case wages, in real terms, could increase only in so far as there are prices which remain unaffected by the wage rise : rents, ' specific ' indirect taxes, prices of imported goods. Whether the indirect taxes mentioned remain unchanged depends on the government; it might decide to raise them to meet part of the heavier expenditure which the wage increase would involve, especially if pensions and social security payments were adjusted. Similarly, import prices depend on the government : if it devaluates so as to offset the effect of wage increases on exports, import prices will rise. The stability of rents also depends on government control, and certain limits are set to it.

We see, therefore, that the advantages which workers can derive from a general wage increase depend to a very large extent on the government's action. Without a sympathetic policy on the part of the government general wage increases are likely to be largely self-defeating. (This does not exclude the possibility that sectional advantages may be temporarily gained at the expense of the rest of the workers).

With regard to *specific* wage increases necessary to establish a proper wage structure, the finance by price increase, although possible, has definite disadvantages. With the rise in prices in the industries concerned, real wages in other industries, where money wages have not been raised, would fall, and this is likely to lead to a general pressure on the wage level. It is therefore advisable that the specific wage increases calculated to establish a proper wage structure should be financed by profit squeezing, subsidies and increases in productivity, with prices kept stable.[1]

3. The Finance of Wage Increases in Three Stages

If a proper wage structure is to be established forthwith, with price stability assured, there is no doubt that in the first place the bulk of the wage increases would have to be countered by cost-of-living subsidies (this is the way in which the rise in agricultural wages, for example, was financed). The short-term disadvantage is that this would lead to an increased inflationary pressure, which under conditions of rationing and price control would be directed mainly against the uncontrolled or less easily controlled sectors of the economy. If we set this disadvantage, however, against the advantages which a proper wage structure ensures, the overcoming of labour bottlenecks and the increase in civilian production, it may be deemed a worth while sacrifice.

---

[1] The decision to keep prices stable in general does not prejudice the question what *relative* prices are desirable. It might be proper policy to keep the price of coal for industrial purposes relatively high in order to encourage fuel efficiency.

The fear is often expressed that subsidies used for these purposes must become an ever-increasing burden. For the purpose in hand they need not, however, be more than a temporary expedient, because in the longer run other methods of financing the above-mentioned wage increases become available.

Once the increased labour supply leads to an increase of output in the civilian industries which are now hampered by a lack of labour, it will be possible to squeeze profit margins, because of a decrease in overhead costs and because the expanded production will run more smoothly. That such a squeeze is possible (given adequate price control) is shown by the war-time experience of price and profit margin reductions in heavily expanding industries. It will therefore be possible in this second stage of the finance to take off part of the subsidies initially given.

A third stage will be reached when re-equipment of industry is undertaken, which offers considerable chances of increasing output her head just in those industries which are now suffering from lack of labour (textiles, brick making). The full effects of this re-equipment will only be felt after a few years, but then the rise in productivity may be sufficient to offset the wage increase initially given, and it will be possible to reduce substantially or to withdraw the subsidies given for the purpose of these specific wage increases mentioned. Thus the subsidies are largely a means of bridging over the time until the increased output per head can take care of the wage increase required at present; this expedient is necessary simply because the redistribution of labour and the proper wage structure required for this purpose cannot wait until the increase in productivity materialises but must, on the contrary, precede it. It must, of course, be understood that, until the subsidies are eliminated, increases in productivity will not, in general, be regarded as justification for further wage increases.

Merely to indicate the orders of magnitude involved and not purporting to give a real estimate, we shall make in the following an assumption as to the wage increases which might be necessary to establish a better wage structure.

The ' critical ' industries are in the main agriculture and coal. In agriculture the minimum wage is now £4 a week for adult men, whereas the average weekly earnings of adult men in industry were £5 15s. in January 1946. In coal mining the average earnings were about £6 in the last quarter of 1945. A five-day week and paid holidays have now been conceded in coal mining (to take effect from next spring) which presumably means an increase in costs of the order of 20 per cent, and is therefore equivalent to about £1 of wage increase. Let us assume that in agriculture wages are raised slightly above the average by an increase of £2, and that in coal mining, taking into account the arduousness of the work, a total increase of £2 (including the increase involved in the shortening of working time already conceded) is given.

The industries requiring a considerable increase in manpower are in the main textiles, building materials and potteries, and building construction. In textiles an increase of £1 a week would raise the men's wages above that of the average of all industries, and the women's wages much above the average. In building construction and manufacture of building materials an increase by £1 would raise the earnings somewhat above those in the engineering industries (all the comparisons are based on January 1946 figures). On these assumptions we can roughly estimate the yearly cost involved, in the first instance on the basis of the present numbers of wage earners, and, secondly, making allowance for an increase of manpower in the industries scheduled for expansion. On the first basis we get an annual cost of £230 million, on the second of £275 million. It is the first figure which is relevant for the amount of subsidies immediately involved, and the consequent inflationary pressure, whereas the second figure is relevant to the amount which must ultimately be covered by increases in productivity. If we put this latter figure of £275 million in relation to the wage bill in manufacturing, mining and building, it amounts to about 14 per cent. That means that if in manufacturing, mining and building productivity should increase by 3 per cent per annum, the wage increase assumed would be compensated by increased productivity after less than five years. As output per man-hour increased by 2.3 per cent per annum between 1924 and 1935,[1] the assumed rise in productivity is modest, if an intensive re-equipment is anticipated.

	Number of workers		*Increase in weekly wage*	*Total cost*	
	Actual	*Potential*		*Actual*	*Potential*
	(in thousands)		£	(£ millions)	
Agriculture	600	700	2	60	70
Coal Mining	700	700	2	70	70
Building construction	850	1,250	1	45	62.5
Building materials, glass and pottery	200	400	1	10	20
Textiles	680	800	1	34	40
Clothing	460	500	0.5	11	12.5
				230	275

Moreover the above calculation is unduly pessimistic because it does not take into account the possibilities of squeezing profit margins, and the increase in output per head which might be achieved by standardisation. If, for example, the increase in productivity were to accrue wholly to the workers (which would presuppose a squeezing of percentage profit margins) then, even with only a 2.3 per cent rate of increase in output per head, the 14 per cent wage increase would be absorbed after three years already.

The above calculation, it is true, assumes that an increase in productivity which is spread over the *whole* of industry can be used to finance wage increases in a particular (though very large) sector. Theoretically this can be done; if a productivity increase in an industry producing essential consumption goods leads to corresponding price cuts for these goods, then it is possible, with the cost of living index kept stable, to take off subsidies elsewhere. Again, if productivity increases in industries producing luxury goods, such

[1] J. L. Nicholson, 'Employment and National Income during the War', BULLETIN, Vol. 7, No. 14.

as motor cars, which do not enter into the cost of living index, this would make it possible to increase indirect taxation on these goods, while keeping their price stable. It can be seen, therefore, that the rise in productivity need not take place in exactly those industries whose wages are to be raised. The adjustment becomes more difficult in so far as industries producing for export or for investment take part in the rise in productivity. In practice, however, we may hope that a productivity increase very much greater than the average assumed above will take place just in some of the industries which are to benefit from a wage rise, because they offer great opportunities for re-equipment (e.g. textiles, building materials).

Finally, it should be stressed that the wage adjustments assumed above as an illustration are on the liberal side. It is not possible to indicate the actual wage increases which might be advisable or reasonable, without a very detailed study of the wage structure, and rather liberal adjustments have been assumed so as not to underestimate the difficulties of the problem. We can here only indicate the broad principles of adjustment which are, in short, to raise wages in underpaid industries which are short of labour, up to or slightly above the average wage level in industry, taking due account of differences in the hardship of the occupation in question. The effect, on the whole, should be more that of a reduction in existing differences than that of creating large new differentials.

4. The General Wage Pressure and the Question of a National Wage Policy

It remains to consider the pressure on the general wage level existing in full employment conditions. This pressure undoubtedly constitutes a danger to price stability at present, because in view of the required specific wage increases discussed above it would be very difficult to find additional means to finance a general rise in the wage level.

The danger of a general wage increase has led to demands for a national wage policy, which in some quarters is interpreted as a control of wages by the State. The implications of this problem are clearly political and it cannot be judged by abstracting from this aspect. If the State were to take over the function of fixing wages, the trade unions would either lose their most important function and to a large degree become superfluous, or they would become part of the State machine, being practically amalgamated with it. They would thus cease to be an independent force and to represent the interests of the workers. Presumably other organisations would come into being to take their place. It is of no use to argue that with a Labour Government the trade unions might quietly consent to such amalgamation, because they could be sure that the government would not betray the interest of the workers. Obviously the trade unions can never know what the government of to-morrow will be, and they can rightly argue that their independent existence is one of the important guarantees of democracy.

If a national wage policy in the above sense has to be excluded there remains only this conclusion : those wage increases which are not approved by the government as a matter of policy, and dealt with by subsidies, etc., will simply have to be financed by increase in prices, which probably means that they will be to a large extent self-defeating. They may give temporary advantages to some sections of the workers, but only at the expense of other sections.

It is clearly desirable that such futile changes in the wage level should be prevented. They will in general conform to the following pattern. The trade unions which are the best organised, the strongest and greatest, and which already enjoy wage conditions above the average, are tempted to lead the advance of wages. Once they succeed the others are bound to follow. In the intermediate period the desirable wage structure is upset, until after a time the initial advantage secured by the strong union is at least partly lost again.

If there were an effective central organisation of trade unions, capable of co-ordinating the policies of its members, then the most natural thing would be an agreement between the government and this body, concerning wages, prices and related economic policy.[1] As such a body does not exist it must be recognised that the main responsibility for wage policy lies with the few very great unions who are likely to lead in the above-described pattern of wage increases. The best that could be done is therefore an agreement between the government and these unions, by which the unions would pledge themselves to refrain from wage demands and to accept the wage structure required for reasons of economic policy; in return, the government would pledge itself to certain detailed and concrete policies of tangible interest to the unions : to a stabilisation of prices of essential commodities (this would have to be done on the basis of an index more in line with reality than the present cost-of-living index), to a reduction of income tax on wages, to certain concrete employment policies (both with regard to employment in general and with regard to employment in particular industries, such as building, and in particular areas). These questions are of as much interest to the workers as money wages; in fact, as shown above, the net real wages are largely dependent on government policy, and it would therefore be in the interest of the unions to conclude an agreement of this kind.

Once the policy of the major unions is fixed, it can be hoped that the remaining sections will refrain from undue pressure. The government's influence on the arbitration boards can be used in that direction.

5. Wages and the Foreign Balance

The wage increase required to bring about a proper wage structure will in fact have no repercussions on the foreign balance at all if they are financed as suggested above (paragraph 3). In any case most of the industries concerned (except textiles) are producing mainly for the home market. It is only in a limited field, therefore, that the problem of the foreign balance could arise, and only if the subsidies are not applied to the part of the output which is exported.

---

[1] On the desirability of a co-ordinated wage policy, see G. D. N. Worswick : The Stability and Flexibility of Full Employment, in *The Economics of Full Employment.*

In any *general* wage increase, however, the problem of the foreign balance would be a more important consideration. We must distinguish two aspects of this question, a short-run aspect—that is the export situation during the time of the U.S. post-war boom—and a longer run aspect, which applies to the time after the U.S. boom has broken.

In the short run there is no need to worry about the possible effects of wage increases on the foreign balance. The recent events in the U.S. lend sufficient reason to the belief that prices and wages there will rise further, and this must have a considerable effect on export prices to be obtained by Britain in many countries. In fact, the problem which is facing this country at present is quite a different one. It is certain that the cost of imports from the U.S., Canada and other countries, will rise appreciably, and it will require the use of subsidies to keep prices here at their present level. This does not constitute any new burden for the country as a whole, because increased import prices correspond to increased export prices which will *pro tanto* increase the already high profits obtained in export trade. If a way could be found to use these additional profits for the finance of the increased import prices, there would be no new burden on the budget either. Theoretically the ideal answer to this would be a tax (fixed per unit of output) on the total output of important export industries, which, given strict price control, could not be passed on to the home consumer, and would thus squeeze the profits on the export trade, without discouraging exports. No doubt, there are administrative difficulties involved (if the proportion of exports differs with different firms the levy is difficult to assess), especially because it would be essential to impose or withdraw such a tax at short notice. An effective equivalent to it might be achieved, in those cases where the government controls the raw material supply, by raising the price of raw materials to the industries concerned. The whole problem is also important because the existence of excessive profit margins in these export industries is likely to encourage wage demands which might prove a disadvantage later on, or which might lead to a general wage increase.

From the long run point of view, we have to face the likely prospect of a slump in U.S. in one or two years' time. It may well be that wages in U.S. will hardly ever again be as elastic as they were in the thirties, because the legacy of increased trade union power which the New Deal left has come to stay. For the rest we may hope that a judicious use of the devaluation clause of the Bretton Woods agreement, and, failing that, use of subsidies on output (as in the case of textiles discussed earlier) will make it possible to reconcile the established wage level and the requirements of the export trade.[1]

[1] It should be noted that in the event of a slump in the U.S. the prices of agricultural produce and raw materials are likely to decrease more than wages. In other words, the *terms* of trade are likely to be more favourable to England, certainly not less. If the effect of a drop in U.S. wages is countered, e.g. by depreciation, this will involve *no* new burden of subsidies (because the £ prices of food will not rise).

6. Further Implications of Wage Policy

As mentioned before, financing specific wage increases by subsidies will increase the inflationary strain under the conditions of the transition period. This is permissible if rationing and price control prevent the strain from affecting the sector of essential goods. But it can be rightly argued that it is important to increase the supply of goods so as to give the workers something to buy with the increased wage. In other words, the redistribution of income in money terms should correspond with a redistribution of consumption in favour of the workers.

The principle according to which this is to be achieved is that of elimination or curtailment of luxury consumption, by making luxury goods unavailable and in this way directing a greater proportion of resources into mass consumption goods. One of the simple and proved methods is that of utility goods. Another would be prohibition of production for home sale of luxury goods (expensive cars), and prohibition of imports of certain luxury goods.

Unfortunately the policy which is at present followed is almost exactly the opposite of the one mentioned. The utility scheme in clothing is superseded by production of more expensive clothing at a time when there is still scarcity. Utility schemes in general are being pushed into the background and there is a general movement away from standardisation. Import control, too, has been made less strict by granting licenses for up to 20 per cent of pre-war imports of a number of luxury goods.

A further implication of wage policy is that an increase in productivity is indispensable. This increase in output per head would not be the same serious necessity if we had conditions like the U.S., where the propensity to save is much greater, where the transition period will be much shorter, and where there will be great danger of a slump afterwards. There, the raising of wages, financed by subsidies, would be a good method of combating the slump. In Britain, on the other hand, the transition period will be very long; even afterwards, the additional effective demand to be created by the government in order to achieve full employment will be relatively small. Therefore the scope for redistributing incomes by subsidies is *pro tanto* narrower and a rise in productivity becomes an imperious aim, in view of the wage pressure inevitable under full employment.

That there is considerable scope for increase in productivity by re-equipment of industry, research and standardisation is clearly indicated by a comparison with productivity in the United States.[1] It is not to be expected that private enterprise will make full use of this opportunity, and one of the biggest tasks of government policy is therefore to bring about increased efficiency not only in the nationalised but also in the private sector, for example by undertaking research the results of which are made accessible to all firms, by schemes of bulk purchase, scrapping schemes, and in other ways.

J. Steindl.

---

[1] See T. Barna, The Production of Labour : Its Concept and Measurement. Bulletin, Vol. 8, No. 7.

FRENCH RECONSTRUCTION AND THE FRANCO-U.S. LOAN AGREEMENT. PART II.

THE INTERNATIONAL ASPECTS

The French reconstruction plan, discussed in the previous BULLETIN, foresees a deficit in the balance of payments up to 1950 of 6,150 million dollars which, according to official estimates, is to be covered in the following way :

	$ (million)
Public and private gold and currency assets	3,000
Reparations and credits from countries other than U.S.	940
Deficit to be covered by long term loans	2,210

A French delegation left for the U.S. early this year to ask for a loan, at favourable terms, of $3,000 millions, *i.e.* roughly 70 per cent of the British loan. This estimate of the prospective deficit is the result of certain important errors almlost exclusively in one direction, resulting in a tendency to exaggerate needs without taking into account that the whole project might well be imperilled by factors (especially coal supplies) which cannot be overcome by monetary manipulation. Even if the estimates and aims had been reasonable it is questionable whether the proportion assigned to foreign borrowing is not too large in view of the uncertainties of the future and whether, in consequence, the whole programme should not have been adjusted downward in order to reduce this dependence.

The French international reserves last year were estimated at $1,870 million to which $2,400 million private assets have to be added. Of this hardly $200 million were used for payments to Britain and perhaps another $400 million will be used. It is apparent, therefore, that France still has $4,000 million to which reparations and credits, other than from the U.S., might be added. The uncovered deficit, therefore, was not as serious as the French had suggested to the United States, at $3,000 million. A better balance could easily have been achieved by changes in the character of the reconstruction plan. It must be admitted that the Franco-British Financial Agreement which excluded a regional arrangement with Britain, and the harsh treatment meted out by the British Treasury to France must have been potent factors moulding the strange policy which the French pursued in their negotiations with the United States.

M. Monnet seems to have been as successful as his colleagues in this country in persuading his Government to enter into immediate negotiations with the U.S. ; and very rosy hopes were held out for obtaining the help demanded.

The Americans seem to have been quite unwilling to countenance such a request. They carefully scrutinized the French statistics, ruling out certain excessive claims. Despite the apparent indications that their original demand would be refused, the French did not change their plans, and despite the very material alteration in the relation between the advantage and cost of the U.S. credit, they continued negotiations. In the end an Agreement was reached which gave the French a new credit of only 650 million dollars. This credit will be opened by the Export and Import Bank at a rate of interest of 3 per cent, and will be repayable within 25 years with an initial delay of 5 years. In other cases, the Export and Import Bank only charged $2\frac{3}{8}$ per cent, and this country received its credit at 2 per cent with interest payments starting only in 1951. The conditions of the first Export-Import Bank credit of $550 millions granted last year were somewhat ameliorated.[1] All supplies purchased must be transported in U.S. ships irrespective of whether it would be cheaper to use the vessels of other nationalities and must be (with the exception of supplies purchased by the Government and self insured) insured in U.S. dollars.

Apart from this, the French received $275 million to purchase surplus property in France, $42 million to purchase Liberty ships and were charged $403 million for the Lend-Lease supplies ' in the pipe-line '. The French debt of $1,570 million, which represents the difference between American war-time supplies of $2,430 million and $860 million French services and some other minor debt balances were wiped out. The debt arising out of the war (apart from the two Export Import bank credits) is $720 millions. The French merely had to undertake to put at the disposal of America $25 million to erect and keep up American property in France, or for education purposes, etc. The debts arising out of these items carry an interest of 2 per cent and are repayable in 30 years starting July 1st, 1946. Should France be involved in economic difficulties, a moratorium can be arranged on these payments. Though the published text is not quite explicit, it seems that in that case the postponed payments accumulate with compound interest. The $403 millions of surplus property does not seem to comprise the important port facilities owned by America. The U.S. locomotives will be distributed later on the basis of the recommendations of the European Transport Organization. The Americans also reserve the right to demand retrocession of all Lend-Lease supplies, except petrol and civil aircraft. In effect, they will only demand back warships and other vessels. On the other hand, France is prohibited to sell any of the Lend-Lease material and, should any of this be sold, the Americans must be paid in cash. The French received only $17 million for the damage to French ships (including the Normandie) sustained while under U.S. flag. They have to pay all U.S. obligations to French residents incurred prior to the end of the emergency period. These terms for Lend-Lease, surplus property and other supplies also compare unfavourably with the American settlement with Britain, which, as it might be remembered, reduced the far greater liabilities of this country to $650 millions; on which 2 per cent has to be paid only from the beginning of 1951.

All this, however, is a minor matter in comparison to the general obligations which France accepted. These will go some way towards neutralizing such net help as was accorded by America to France.

---

[1] Secretariat de l'Etat. Conference de Presse de M. L. Blum. Notes No. 317, May 31st, 1946, pp. 2–3.

The French first agreed to the American proposals, already underwritten by Britain, for a new code in international economic relations. Thus, like ourselves, they give up, if these Agreements are accepted, the right to make reciprocal trade agreements or payments agreements. They also have to give up Imperial preference which has, of course, been very much greater than the British and a more important feature of French commerical policy. But, as has been argued by British Ministers, these concessions and undertakings are not unilaterial, and if the United States, because of her internal political situation, finds it impossible to grant equivalent reductions in her protective tariff system, none of these obligations will, in fact, take effect.

There is, however, a sharp contrast with the main body of the Financial Agreement with Britain. The latter merely specified that the convertibility of sterling should be restored and that quota-regulation should be relaxed once the shortage of foreign exchange passes, but did not reduce Britain's autonomy in *tariff making*. The wording of the French-U.S. Agreement resembles the Peace Treaties concluded after the last war at Versailles, etc., in its efforts to bind the French Government in its general commercial policy. It is on the whole less favourable. The commercial clauses of those Peace Treaties were limited to a period of five years. No condition or time limit whatever appears to be attached to the present French undertakings. Thus France, irrespective of what may happen abroad, has bound herself unilaterally to introduce an *ad valorem* tariff to replace her present tariff based on specific duties. Thus she will automatically reduce the absolute amount of tariff protection when prices are falling, that is, precisely at the moment when tariff protection is most needed for the French ' infant industry '. She binds herself to abandon all regulation of imports by quotas, which was the mainstay of her whole commercial policy before the war. The price equalization introduced before the last devaluation of the franc must be abandoned. The *ad valorem* tariff must not give higher protection at present prices than the tariff existing in 1938. France must give up State purchases except for the nationalized industries and must restrict bulk purchases even in the transition period to a limited number of commodities specified, *e.g.* steel, timber, wool and medicaments. All import cartels which now supervise imports not undertaken by the State and are responsible for the implementation of the five-year-plan have to be dissolved and the purchasing commissions must use the usual trade channels to the maximum extent.

The French are safeguarded by a clause which permits the retention (not the reimposition—except, presumably, on the basis of the Bretton Woods provisos) of quota regulations. *Prima facie* this seems a powerful and essential safeguard, as a French attempt to execute their reconstruction plans is bound to involve them in an almost perpetual exchange crisis. But, first, they must handle these import-controls without ' discrimination ', which, as is becoming increasingly clear, is a phrase capable of very different interpretations (especially as it is not laid down what is to be regarded as the

' base ' period). Secondly, the context suggests that France will have to regard ' the restoration of unhampered multilateral trade as the over-riding aim ' (a phrase which ominously occurs in the preamble of the Bretton Woods instrument). It is questionable, therefore, whether a ' liberal ' interpretation of this permissive clause will not be regarded by the U.S. as too ' anti-liberal ' and in conflict with ' the spirit ' of the agreement.

The French, moreover, undertook not to reserve more than 25 per cent of cinema time for the French industry. Insofar as French films must be amortized within France, and as the Americans send to France films amortized in America where they have a naturally protected market,[1] this measure will expose the French film industry to a severe strain, especially as the penetration of American circuits in France had begun already before the war and has increased since. It may not be an under-estimate to say that the increase in film imports alone might burden the French by half of the amount of the Loan now received in the next ten years.

Against these French concessions the American administration bound itself only ' to consider sympathetically ' French desires about American Import Regulations, and ' to call the attention of Congress ' to the desirability of making adjustments to facilitate international economic intercourse. The value of this assurance is somewhat reduced by the fact that all major legislation promoted by President Truman in the last year has been decisively rejected by Congress.

The intrinsic advantages of the Agreement for France can hardly be the real reason for the acceptance of such draconic conditions by the French experts. What must be suspected (and this is borne out by the character of the reconstruction plans discussed) is that a means was sought, and found, to halt social reform by fettering French policy from the outside. Only this can explain the bias towards over-investment disclosed by our analysis of the investment plans, which necessitates such vast recourse to foreign help. But the crippling conditions have been accepted—without even obtaining help greater than could have been secured commercially and certainly much less than is required to carry out the original plans.

America has, during the war (especially during 1939–41) experienced the biggest expansion of capital equipment in her history. A vast excess capacity will be in being when deferred demand is exhausted. To restrict French protection, under these circumstances, to the 1938 level means to expose French industry to a pernicious blast of competition. It is difficult to understand how the French experts imagine the continuation of investment in France under these conditions. France has even undertaken not to subsidise her industries directly. The only way out seems that of devaluation. But devaluation is a clumsy instrument when it comes to such large readjustments as will be necessary in France during the next few years. In any case, much of French exports consist of luxuries, and in her invisible exports tourist trade plays an important role in balancing her international payments. The price-elasticity for these products is much less decisive than the income levels abroad. Devaluation under these conditions will set the terms of trade very considerably against France while providing little if any help industrially.

---

[1] A typical case of decreasing costs.

CONCLUSIONS

It is obvious that France must reshape her productive structure if she is to regain a leading place among industrial nations. Her internal (money) private costs do not reflect the real cost structure which can and must be achieved in the longer run. By accepting the arbitrary working of the price mechanism of uncontrolled world markets she renders real economic reform impossible. The Monnet ' plan ' is, under these condition, unworkable. Who is to guarantee the profitability of investment in an ' open system ' in which France is to double her exports? Who is to plan and *put into effect* the just distribution of incomes which is the conditions of the successful achievement of reconstruction involving heavy sacrifices ? The temporary protection by the emergency clause permitting the continuance of import quotas is of doubtful value : France needs not negative protection but positive planning of her foreign trade : she must increase her exports because she needs increased imports, even if the elephantine plans discussed are suitably modified and curtailed. If she is unable to obtain them the festering economic decay leading to autarky, which was one of the main reasons for her collapse in 1940, will inevitably start again.

The story of French reconstruction reflects poorly on British economic statesmanship. Timely help from England in 1944–5 might have had far-reaching psychological effects, apart from rendering possible a very great increase in the Allied war-effort. England was short of manpower, France was under-employed.

For this country the opportunity was unique. In a medium run, say 5—7 years, the French economic system could once more be expected to recover more quickly from the ravages of war than the more complex economy of Great Britain. The attraction of France as a holiday resort was likely to be even greater than after the last war, because so little of Europe was left intact. Altogether France, although very much in need of help in the short run, could be expected to contribute very powerfully to a restoration of European equilibrium in the medium run, which, in all probability, is the most awkward period for this country.

Moreover, the very fact that French production was temporarily at such a low ebb and that Britain was fully mobilized had certain advantages. There was no vested interest to feel menaced by a collaboration in reconstruction which would have harmonized the industries of the two countries, especially in cotton and wool, but also in engineering. Valuable contribution to the national income of both countries would have been made by arranging an increased international division of labour between them. The possibility of reducing the need for new investment was from this point of view especially important, as both countries had suffered very serious losses in home and foreign assets as a result of disinvestment during the war. Their foreign reserves were heavily drawn upon, as in the case of Britain, or, as in France, committed to secure some relief for the population.

No such attempt at regional co-operation, which could have embraced the dependent territories of both countries and was capable of further extension, has been undertaken. The conclusion of a Financial Agreement was tardy and when it was concluded it proved unfavourable to an expansion of trade.[1] It stipulated payments in gold of a certain portion of the balance and thus gave an incentive to the country which could supply basic needs—Britain—but was short of liquid international reserves to exclude rigidly all 'unnecesary' imports and thus to obtain as much of the coveted metal as possible. The French, on the other hand, could not supply much else as they were extremely short of all necessities. They in their turn were loath to part with their reserves. When the Agreement was renewed, further and onerous terms were imposed.[2] Consequently, the French turned hopefully to the United States which alone could provide credits. The fear that the acceptance of the *laisser faire* approach to international economic reconstruction by the British authorities would restrict rather than expand total trade and diminish the influence of this country would seem to be justified.

POSTSCRIPT

Since this article was written a new Anglo-French Agreement has been announced, in which the British Government has modified its terms. The debt of £150 millions outstanding from last year is to be reduced to £100 millions only by the transfer of £10 million of gold and not be repaid wholly by liquidating French holdings of British securities. The £100 millions will be repaid in instalments from 1950 onwards and they bear an interest of ½ per cent p.a. Closer contact is to be established to bring the current balance of payments between the two countries into closer equalibrium, which is said to by rendered difficult by the fact that the exportable surplus of France, consisting mostly of luxury articles, cannot at the moment be easily absorbed by Britain. No modification of the approach to reconstruction to render the two countries more complementary seems to be contemplated as yet.

This change in attitude of the British Government is most welcome. It does not, however, invalidate the criticism expressed in my earlier articles: it is a typical instance of the policy of 'too little, too late' which characterizes so many of our international transactions since the First World War. It might be argued that without the U.S. loan, Britain would not have been able to extend this credit. In so far as it had effectively been granted last year and as it appears that our sterling creditors are willing to extend their advances to this country without insisting on immediate repayment out of the U.S. loan, this argument does not seem to be impressive. By slight readjustments, moreover, the *total* production of Britain and France together could be substantially increased—at some immediate inconvenience to this country, no doubt, but with almost immediate gains to both. Nor does it appear that British export capacity is so small as many people seem to have feared last autumn and winter. This does not mean that the British balance of payment problem can be regarded as solved—for we are still in the middle of a sellers market. On the other hand, the agreements of both Britain and France with the U.S., negotiated bilaterally and separately, do not strengthen, but considerably weaken, our powers for dealing with the problems which will arise. It may well be that this new agreement will be followed by more far-reaching measures to pool and rationalize the Anglo-French production and foreign trade. Without such measures, however, this agreement will remain a noble if expensive gesture. Nor is it quite plausible why Britain could not increase her luxury imports from France at the moment. Internally such imports—especially if suitably taxed—could help in mopping up purchasing power. Internationally, we should be in no worse position immediately (and discrimination in favour of French exports is permitted even in the Bretton Woods instrument as it serves to liquidate existing balances). Only if we assume that our position between 1950 and 1961 will be more critical than that of France can the policy adopted be justified. French sales to Britain would not interfere with sales to the U.S. as the French are speeding exports to that country to the limit of their powers. The fact that no coherent Anglo-French planning was initiated before the agreements with the U.S. were negotiated has resulted in a weak bargaining position for both countries.

---

[1] Cf. BULLETIN, Vol. 7, No. 8, pp. 138–145.

[2] Cf. *The Economist*, March 1946, and Cmd. 6809, 1946.

It is to be hoped that the new agreement is but a first start.

T. Balogh.

MODELS OF THE FUTURE NATIONAL INCOME IN SWEDEN

In Sweden, as in several other countries, the problem of forecasting the national income has become actual. The formulation of a big social reform programme will mean a large increase in public expenditures. In order to judge the possibility of financing this programme it has been necessary to calculate approximately the State revenue in coming years. This calculation, which is presented in a preliminary plan of the Government finances for a coming 5-year period, has been founded on a forecast of the national income in the form of alternative models. A summary of the hypotheses and methods underlying these models will be given below.[1]

The whole construction of models for the future national income of Sweden must be considered quite preliminary. The statistical material is extremely unsatisfactory. There must always be compromise between the statistical and theoretical conscience of the investigator.

There is both a long run and a short run problem when making model-estimates of the future national income. In the long run we want to know—under varying conditions—the total product of the country under '*full employment*' and how this total product is used for varying purposes (investment, consumption, governmental expenditure). In the short run we want to know if the conditions in various respects, *e.g.* as to investment and foreign trade, are such that full employment can be reached or if, alternatively, a depression is the more probable. That is why two sets of models are made, the most important of which are presented in the table below. The models A1 and A2 represent 'full employment' situations, model B a 'depression'.

Gross National Income 1939–' 1949 '.

Million Kronor in the prices of 1939.

	1939	A1	A2	B
1. Gross national income or product at factor cost	12,600	15,930	14,200	12,230
2. Net change in claims against foreign countries	0	0	0	—500
3. Private gross capital formation	1,890	2,520	2,080	2,050
4. Governmental expenditures	1,850	3,260	2,900	2,540
(*a*) Thereof : Financed by loans ...	(140)	(180)	(160)	(180)
5. Private consumption at factor cost ...	8,860	10,150	9,220	8,140
Foreign trade—				
6. Export of goods	2,000	2,530	1,150	1,260
7. Import of goods	2,320	2,930	1,310	1,960
Propensities—				
8. Propensity to import	18.4%	18.4%	9.2%	16.0%
9. Gross propensity to save	16.1%	16.9%	15.8%	14.1%

As a starting point for the forecast the gross national income of 1939 is used. Since the distribution of the productive resources on various purposes was somewhat affected by rearmament in 1939, the distribution of the gross national product on various items has been determined by the average distribution for the years 1936–1939.

The development of productivity between 1939 and 1949 must be estimated to determine the level of the gross national product at full employment in 1949. An assumption of this productivity can be obtained from the experience of the 'thirties. Between 1929 and 1939—both years showing fairly full employment—the real national income per individual aged 15–65 years rose by 2.3 per cent per year. The ' optimistic ' model (A1) is based on the assumption of the same productivity development 1939–49 as 1929–39.

---

[1] See further an article by E. Lundberg and I. Ohlsson, *Modeller för nationalinkomstens utveckling i Sverige under den närmaste efterkrigstiden* (Models of the future national income in Sweden), Ekonomisk tidskrift 1946:2.

The economic conditions of the 'forties differ, however, from those of the 'thirties in some important respects. The total productive population will stagnate and its younger ages will decrease during coming years. This will mean great difficulty for manufacturing industry in meeting its expansive demand for manpower. As the rapid growth of productivity between 1929–1939 was conditioned to a large extent by a rapidly expanding manufacturing industry the stagnation of population might imply a slower development. On the other hand the available manpower has been better utilized during the war than in 1939. This fuller employment will perhaps be maintained during the whole forecast-period. According to the assumptions specified in the paper this better utilization of manpower will compensate the retarding effect upon productivity of a less rapid industrial expansion.

Other pre-war conditions, *e.g.* with regard to investment and foreign trade, must be fulfilled to make possible the optimistic model. Investment in civilian production during the war was rather high and not for any year below the level of the depression that is included in the period of comparison (1929–1939). Foreign trade on the other hand will, perhaps, not reach its pre-war level, and this would probably be the most important obstacle on the way to the realization of the optimistic alternative.

The model A1 must therefore be taken as an upper limit to the future national income. The lower limit (still under full employment) is still more open to discussion and it can be constructed only with very arbitrary hypotheses. The more ' pessimistic ' model A2 is constructed under the assumption that the rate of increase in productivity is 1.1 per cent per year. This lower level is supposed to be determined by a lower proportion of foreign trade (half propensity to import, *line* 8).

After the determination of the level of the gross national income the different items of models A1 and A2 are fixed in the following way :[1]

The increase of the gross national income between 1939 and 1949 should imply an increase in the gross propensity to save (*line* 9). This tendency is counterbalanced by the increase in taxes in proportion to the national income; the war-time rates of taxes are supposed to remain in 1949. This change has been accounted for by calculating the propensity to save in relation to the gross national income less all direct taxes. The very inadequate statistical material for determining the level of the gross propensity to save at different levels of income is gathered from the periods 1927–1929 and 1937–1939, both periods showing about the same degree of employment. The increase of the gross propensity to save is regarded as a linear function of the increase of the gross national income less direct taxes.

The amount of saving, determined by the propensity to save, is supposed to correspond to the total gross private capital formation and the governmental expenditures financed by loans, (*line* 2+3+4*a*). Since items 2 and 4a are supposed to increase parallel to the gross national income, private capital formation (*line* 4*a*) is given as a residual. The supposed proportional increase in public loans is of course not realistic, but we have considered it useless to fix another arbitrary assumption. It depends on the economic policy of the government with regard to borrowing and there is no essential theoretical difficulty in adjusting item 4a.

---

[1] There is a great number of reservations made, that are not repeated in this summary.

Governmental expenditures (*item* 4) do not include transfer payments such as pensions and interest on public debt. The relative increase of this item from 1939 to 1949 is due to the increase of taxes during the war, which increase is supposed to remain in 1949.

Private consumption, finally, is calculated as a residual.

The total effect of the relative changes in investment and governmental expenditures is seen as a decrease in the relative share of private consumption from 70.3 per cent in 1939 to 63.7 per cent (A1) and 64.9 per cent (A2) in 1949. The volume of consumption should be 15 per cent (A1), and 4 per cent (A2) respectively above the level of 1939, while the total real national income is supposed to increase by 26.4 per cent and 12.7 per cent respectively from 1939 to 1949.

In the preliminary plan of Government finances for a coming 5-year period[1] (the fiscal years 1947–48 to 1951–52) the forecast of national income is extended to 1951. The gap between the optimistic and pessimistic alternatives is diminished at the same time. In the optimistic case the 12-year rise in national income (1939–1951) is supposed to correspond to the rise of productivity in 10 pre-war years. In the pessimistic case the trend is prolonged to 1951. This will result in a gross national income 26 per cent and 15 per cent respectively above the level of 1939.

Model B illustrates a depression situation. The character of this model is of course very hypothetical. It is constructed to show the possibility of a considerable sensitivity in the Swedish economic system to changes of the export trade. The model is constructed with high propensities to import and to save. The supposed decrease in exports (*line* 6) and—as a consequence—in investment results in a gross national income 23 per cent below the level of model A1, which is the starting-point for constructing model B. The figures are calculated with the experiences of the period 1929–1932 in mind. To a decrease in capital formation (*line* 2+3) of 970 million kronor corresponds a decrease of 3.700 million kronor in the total gross national income. Thus the multiplier is 3.8.

The figures in the models refer to volumes of income and expenditure. The assumption of constant prices may imply a serious over-simplification. Present tendencies is too rapid increase of wage rates and general inflationary pressure will probably have important repercussions on the volume and on the distribution of the national product. A rapid increase of prices will anyhow make a verification of the ' forecast ' very difficult.

ERIK LUNDBERG AND INGVAR OHLSSON.

---

[1] Cf. *Kungl. Majt's proposition nr. 222/1946, Bihang, bilaga A.*

TABULAR APPENDIX.

EDITORIAL NOTE

Tables relating to British economic developments, are given below. As far as possible 1938 is taken as the base year for index numbers. Absolute figures for any year are generally given as monthly or quarterly averages to ensure comparability. Detailed information about the different series can be found in the sources quoted.

Explanation of symbols used.
(. .) — figure is provisional or approximate.
N.A. — figure is not available.
— — figure is negligible.

A. ECONOMIC DEVELOPMENTS IN GREAT BRITAIN.

TABLE I

Employment by Industries in Great Britain

	Total						
Million persons employed	Mid 1939	Mid 1943	Mid 1945	1945		1946	
				Mar.	April	May	June
1. Metal and Chem. Ind.	N.A.	N.A.	4.35	3.51	3.51	3.52	3.52
(*a*) for Civilian Use	2.04	0.92	1.21	2.77	2.88	2.96	3.05
(*b*) for Supply of Forces	N.A.	N.A.	3.14	0.74	0.63	0.56	0.47
2. Other Manufactures	N.A.	N.A.	2.58	2.70	2.75	2.80	2.81
(*a*) for Civilian Use	3.63	1.75	1.82	2.37	2.44	2.53	2.58
(*b*) for Supply of Forces	N.A.	N.A.	0.76	0.33	0.31	0.27	0.23
Total Manufactures	*6.90*[1]	*7.85*[2]	*6.93*	*6.52*	*6.57*	*6.64*	*6.66*
% for Civilian Use	81	34	44	83	85	87	89
% for Exports	(14.5)	3.2	6.9	18.6	19.2	19.6	20.3
3. Basic Ind. and Services	4.68	5.03	5.11	5.20	5.24	5.27	5.3
(*a*) Agriculture, etc.	1.11	1.12	1.11	1.01	1.01	1.02	1.02
(*b*) Mining and Quarrying	.87	.82	.80	0.79	0.79	0.79	0.79
(*c*) Transport, Shipping, Fishing ..	1.27	1.19	1.26	1.37	1.39	1.40	1.41
(*d*) Govt. Service (Nat.+Local) ..	1.39	1.79	1.82	1.79	1.81	1.82	1.83
4. Building and Civ. Eng.	1.31	0.73	0.72	1.04	1.08	1.12	1.17
5. Distributive Trades	2.89	2.01	1.96	2.11	2.13	2.16	2.21
6. Other Services	2.11	1.51[4]	1.49	1.58	1.60	1.62	1.64
Total Employed[3]	17.91	17.12	16.21	16.45	16.62	16.80	16.97

Source : *Ministry of Labour.*

[1] Including 1,27 million engaged in producing equipment and supplies for Forces.

[2] Including 5,18 million engaged in producing equipment and supplies for Forces.

[3] Excluding Forces and Auxiliary Services, Civil Defence and Police, and private domestic service.

[4] Excluding non-manual workers earning over £420.

Table II

Regional Distribution of Insured Persons and of Numbers of Registered Unemployed (000's).

	Insured Persons[1] (000's)			Registered Unemployed[2] (000's)						
July ...	1939	1943	1945	1939	1943	1945	Jan. '46	Mar. '46	May '46	July 1946
London and S.E.	3,655	3,024	2,861	170	13.9	11.6	24.5	30.8	34.8	34.8
Eastern	737	729	676	37	2.3	2.1	8.6	10.4	7.5	6.9
Southern ...	629	669	619	43	1.8	1.7	7.7	8.2	8.1	6.9
S. Western ...	737	756	698	34	2.0	2.8	.90	10.1	10.4	9.2
Midlands ...	1,501	1,534	1,378	82	2.4	8.1	24.0	21.9	18.5	16.5
North Midlands	1,098	1,051	979	71	1.7	2.0	9.3	10.5	7.3	8.0[4]
North and Eastern	1,437	1,333	1,237	121	4.9	6.6	17.1	19.4	19.7	20.0
North Western ...	2,396	2,250	2,072	286	10.2	13.1	50.5	63.4	70.5	66.1[4]
Northern... ...	850	832	817	116	7.7	11.7	45.2	50.3	50.9	50.7[4]
Scotland ...	1,650	1,555	1,463	190	16.7	22.0	63.7	74.1	75.2	73.9
Wales	687	721	678	106	9.7	21.3	68.2	69.6	66.9	61.1
Northern Ireland	348	370	358	70	17.2	17.0	30.8	32.5	30.9	32.6
Total[5]	15,157	14,292	13,300	1,326	91	120.4	360.2	404.4	405.8	391.9

Source : *Ministry of Labour Gazette.*

[1] Estimated number of persons aged 14 and over insured under the General Scheme and Agricultural Scheme in each Region as constituted in July 1945.

[2] Wholly unemployed persons registered at Employment Exchanges, including casuals and temporarily stopped.

[3] Formerly called the N. Eastern Region.

[4] These figures relate to the regions as constituted after the boundary changes of April 1st, 1946. Figures on the old basis would be 8.1, 69.8 and 46.9 respectively.

[5] Totals of unemployed include claimants for benefit under the banking and insurance Special Schemes, who cannot be allocated to Regions in Great Britain.

TABLE III. *Symptoms of Investment Activity in U.K.*

Monthly Average Rates	*1938*	*1945*	*1946 1st qtr.*	*1946 2nd qtr.*	*1946 July*
Output of Cement[1] ('000 tons)	643	338	409	569	682
Index 1938=100	100	52.6	63.6	88.5	106.1
Output of Bricks[2] (million)	610	102	154	265	305
Index 1938=100	100	16.7	25.3	43.4	50.0
Home Deliveries of Steel ('000 tons) ..	818	962	885	914	784
Index 1938=100	100	117.6	107.2	111.7	95.8
Merchant Shipbuilding[3] ('000 gross tons) ..	780[6]	1476	1586	1666	1707
Index 1938=100	100	189.2	203.3	213.6	218.8
Commercial Vehicles[4] Produced (No.) ..	(4201)	4683	8990	12,362	10,332
Index 1935=100	100	111.5	214.0	294.3	245.9
Deliveries of home-produced Machine Tools[5] (£'000)	N.A.	3046	2765	2,628	N.A.

Sources : *Accounts Relating to Trade of U.K.* and *Monthly Digest of Statistics.*

[1] Figures relate to nearly all the firms in the industry.

[2] Great Britain.

[3] Under construction at end of period (all ships of 100 gross tons and over, including merchant type vessels built for the Navy).

[4] Including omnibuses, but excluding service vehicles. For the base year 1935, the number of service vehicles cannot be separated.

[5] Revised series, comprising Metal- and Wood-working Machine Tools, Electric Motors and Welding Sets, but excluding Metal-working Small Tools, for which figures have been discontinued.

[6] These figures have been taken from Lloyd's Register, and are not strictly comparable with the figures in the rest of the table. The Lloyd's figures refer to U.K.+Eire, and include certain non-propelled lighters.

TABLE IV

Coal Production and Employment

	1938 Quarterly Averages	1944	1945	1945 2nd qr.	3rd qr.	4th qr.	1946 1st qr.	2nd qr.
Mined Coal—								
Saleable coal produced (000 tons) ...	56,748	46,025	43,471	43,687	39,672	45,029	45,219	44,790
Av. number of effective[1] wage earners (000's)...	N.A.	641.6	628.9	648.8	592.6	626.6	625.6	641.1
Opencast Coal[2]—								
Saleable coal produced (000 tons) ...	—	2,162	2,029	2,208	2,051	1,971	1,709	2,584
Av. Output per man-shift worked (tons)	1.14	1.00	1.00	0.99	0.97	1.02	1.02	1.02
Av. ditto at the face[3] ...	3.00	2.76	2.70	2.68	2.65	2.77	2.76	2.75

Sources : Ministry of Fuel and Power *Statistical Digest* and *Board of Trade Journal.*

[1] Effective numbers exclude those absent for the whole of any week.

[2] Government opencast operations were commenced in 1942.

[3] Additional categories included as workers at the coal face from 1943, causing apparent reduction in average output by about 4%.

TABLE V

Retail Sales and New Supplies of Certain Consumer Goods (1943=100).

	1938	1944	1945	1945 March April	1945 May June	1946 March April	1946 May June
Index Numbers of Retail Sales							
Total Sales	96	107	114	113	112	128	135
Food & Perishables...	90	105	110	110	112	119	125
Non-Food Merchandise ...	105	109	122	118	111	146	150
Index Numbers of New Supplies for the Home Civilian Market.[1]							
Footwear[1]	(140)	95	96	95	97	112	122
Other Clothing[1] ...	(190)	90	93	88	90	(117)	N.A.
Furniture & Furnish'g[2]	(420)	124	201	176	184	(363)	N.A.
Hardware[2]	(280)	94	117	103	106	N.A.	N.A.
Beer[3]	82	105	109	95	111	91	107
Spirits[4]	107	91	91	90	88	94	97
Tobacco[5]	86	99	105	96	102	105	111

Sources : *Board of Trade Journal* and *Monthly Digest of Statistics.*

[1] Based on coupon values.

[2] According to value at pre-war prices.

[3] Based on bulk barrels on which beer duty paid.

[4] Based on proof gallons on which duty paid.

[5] Based on net clearances mainly by manufacturers for home consumption.

TABLE VI

1. *Retail Prices*

	General Market Price Index		Ministry of Labour Cost of Living Index[1]				
	1944	1945	1944	1945	1946		
	yearly averages (av. 1938=100)		yearly averages (av. 1938=100)		Jan.	April	July
Food	136	137	120	120½	120½	120½	122
Rent	102½	103	102½	103½	104	104½	105
Clothing	179½	185	165	166	165	165	166½
Fuel and Light ...	133½	138	142	150½	152	152	153
Miscellaneous	176	177	166	166½	167½	167	168½
All Items	151	153	129	130	130	130½	131½

Sources : Cmd. 6784 (weights in current years) and *Ministry of Labour Gazette.*

[1] Based on average of figures for two successive months.

2. *Board of Trade Index of Wholesale Prices.*

(1938=100)	1938	1939	1940	1943	1944	1945	1946 July
Basic Materials	100	107	159	187	198	201	207
Intermediate Products ...	100	102	139	164	168	173	188
Manufactured Articles ...	100	99	119	138	141	143	155
All Articles	100	101	138	161	164	167	174
Building Materials	100	101	117	144	147	150	171

Source : *Board of Trade Journal.*

3. *Import and Export Prices*[1]

	Imports					*Exports*			
1938=100)	Dec. 1939	Dec. 1945	Mar. 1946	June 1946		Dec. 1939	Dec. 1945	Mar. 1946	June 1946
Food, etc. ...	123	195	201	203	Textiles ...	110	230	241	250
Raw materials	137	218	229	228	Metal goods ...	102	171	179	188
Manufactures	142	177	175	178	Total Manuftrs.	106	186	193	200
Total	130	198	204	206	Total	106	186	191	198

Source : *Board of Trade Journal.*

[1] The indices measure the change in the aggregate value of a representative selection of imports or exports. For methods of calculation see *Board of Trade Journal*, April 13th, 1946.

TABLE VII

Ministry of Labour Index of Wage Rates[1]

	1944	1945	1946					
	yearly averages		Feb.	Mar.	April	May	June	July
Index (av. 1938=100) ...	142½	149	157½	158	159	160	161	162

[1] Monthly indices based on average rates at end of two successive months.

TABLE VIII 1. *United Kingdom Imports of Certain Commodities.*
(Thousand tons per month).

Commodity	*1938*	*1945*	*1946 1st qtr.*	*1946 2nd qtr.*	*1946 July*
Wheat and flour	455	341	324	396	318
Maize and feeding stuffs... ...	411	59	18	12	8
Meat of all kinds	129	97	114	120	103
Butter	39	16	21	23	14
Fresh fruit and vegetables ...	176	38	69	44	65
Tobacco	13	14	15	18	9
Iron Ore[1]	425	340	480	548	626
Cotton[2]	43	32	24	38	37
Wool[2]	23	16	17	15	20

Source : *Accounts Relating to Trade of U.K.* and *Monthly Digest of Statistics.*

[1] Other than manganiferous ore. [2] Retained Imports.

2. *Exports of Produce and Manufactures of U.K.*

	Index numbers of volume			
Class of article	1938	1945	1946 1st qtr.	1946 2nd qtr.
Food, drink and tobacco	100	89	88	86
Coal	100	8	14	13
Machinery...	100	49	83	104
Cotton yarn and manufactures	100	34	43	41
Woollen andworsted yarns and manufactures	100	39	76	75
Silk and articificial silk yarns and manufactures ...	100	114	145	153
Chemicals	100	104	165	160
Vehicles[1]	100	23	86	133
Total, Articles mainly or wholly manufactured ...	100	45	91	110
Total, all exports...	100	45	84	98

Source : *Board of Trade Journal.*

[1] Including locomotives, ships and aircraft.

3. *Retained Imports, Exports of U.K. Produce and Balance of Merchandise Trade.*

Monthly Average. Value : £ million. Index : 1938=100.	1938	1944	1945	1946 *1st qtr.*	1946 *2nd qtr.*	1946 *July*
Ret. Imports Value...	71.5	107.6	87.6	88.8	101.7	96.7
Vol. Ind.	100.0	80	62	63	69	N.A.
Exp. of U.K. Produce	39.2	22.2	33.0	61.4	73.2	91.9
Vol. Ind.	100	31	45	84	98	N.A.
Balance (Value)	32.3	85.4	54.6	27.4	28.5	4.8

Source : *Monthly Digest of Statistics.*

Erratum : BULLETIN, Vol. 8, No. 8, p. 261. Footnote 1 to Table I. " −10,000 equipment " should read " −11,000 equipment ".